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NEWS RELEASE

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PSC Grants Limited Rehearing in Big Rivers Rate Case *Will reexamine one of three issues raised following Oct. 29 decision*

FRANKFORT, Ky. (Dec. 10, 2013) – The Kentucky Public Service Commission (PSC) will revisit a portion of its decision adjusting the revenue and rates of Big Rivers Electric Corp. to reflect the loss of the utility's largest customer, the Century Aluminum smelter in Hawesville.

In an order issued today, the PSC granted rehearing on one of three issues raised by the other parties to the case. The parties (intervenors) seeking rehearing were the Kentucky Office of Attorney General, the Kentucky Industrial Utility Customers, Inc., and the Sierra Club. The intervenors contested three aspects of the PSC's order:

- The treatment of depreciation expenses for the Coleman power plant, which Big Rivers plans to idle. The PSC order allowed Big Rivers to account for the expenses separately, but did not guarantee recovery of the expenses. The intervenors sought foreclosure of future recovery.
- Calculation of revenue Big Rivers will receive from the continued operation of the Coleman plant under orders from the Mid-Continent Independent System Operator (MISO), the regional transmission system operator to which Big Rivers belongs. MISO has ordered Coleman to remain operational to provide grid stability. The intervenors contend that Big Rivers understated the annual revenue it will receive for operating Coleman by about \$12 million.
- Big Rivers' plans to mitigate the rate impacts on its remaining customers by seeking new sources of revenue. The intervenors contend the PSC should have set specific guidelines for the plan and a deadline for assessing its success.

The PSC granted rehearing on the issue of revenue related to MISO-ordered operation of the Coleman plant, which is in Hawesville. It is the only issue that raised legally sufficient grounds for rehearing, the PSC said.

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Depreciation expenses for the Coleman plant were discussed during the original hearing, with all parties having an opportunity to present their views on the issue, the PSC said. Similarly, the intervenors had the opportunity to address Big Rivers' rate impact mitigation planning, but did not do so, the PSC said.

An opportunity to discuss the mitigation plan will come during the hearing on a second rate increase requested by Big Rivers, the PSC said. The hearing on that rate adjustment will take place next month, with a decision due later in 2014.

No date has been set for the rehearing of the first rate case.

On Oct. 29, the PSC authorized Big Rivers to receive an additional \$54.2 million annually from its remaining customers. That was about \$20 million less than the amount sought by Big Rivers. Although the total revenue for Big Rivers declined, rates for the remaining customers increased, although not by as much as the utility requested.

The PSC also approved pass-through rate increases for the three electric distribution cooperatives that own and purchase power from Big Rivers – Jackson Purchase Energy Cooperative, Kenergy Corp. and Meade County Rural Electric Cooperative Corp. Together, the three cooperatives serve about 112,000 customers in 26 counties in western Kentucky. The remaining customers include about 20 large industrial facilities.

Although the rehearing proceeding could eventually affect the rate increases granted in the first rate case, it will not affect the second rate case, which was filed in June 2013 in response to the impending loss of Big Rivers' second-largest customer, the Century Aluminum smelter in Sebree. The Sebree smelter accounts for about 40 percent of Big Rivers' remaining load and is scheduled to depart the system in January.

Big Rivers and Kenergy recently filed an application with the PSC for approval of a power arrangement for the Century Aluminum Sebree smelter that is similar to the one negotiated for the Hawesville facility, which was approved by the PSC last summer. The arrangement will allow the smelter to purchase power at market-based rates rather than directly from Big Rivers.

Today's order, video of the hearing and documents in the case are available on the PSC website. The case number is 2012-00535.

The Big Rivers application and other documents in the second rate case also may be found at psc.ky.gov. The case number is 2013-00199.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.